

REPORT OF EXAMINATION
OF THE
CIGNA DENTAL HEALTH OF DELAWARE, INC.
AS OF
DECEMBER 31, 2006

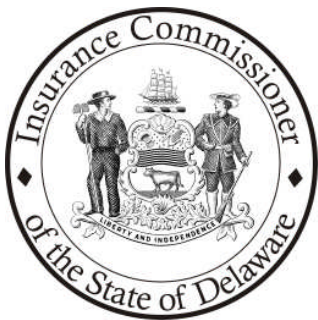
I, Matthew Denn, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of DECEMBER 31, 2008 of the

CIGNA DENTAL HEALTH OF DELAWARE, INC.

is a true and correct copy of the document filed with this Department.

ATTEST BY: Antoinette Hardy

DATE: 19 MAY 2008



In Witness Whereof, I HAVE HEREUNTO SET MY HAND AND AFFIXED THE OFFICIAL SEAL OF THIS DEPARTMENT AT THE CITY OF DOVER, THIS 19TH DAY OF MAY 2008.

Matthew Denn
Insurance Commissioner

REPORT ON EXAMINATION
OF THE
CIGNA DENTAL HEALTH OF DELAWARE, INC.
AS OF
December 31, 2006

The above captioned Report was completed by examiners of the Delaware Insurance Department.

Consideration has duly been given to the comments, conclusions, and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted, and filed as an official record of this Department.

A handwritten signature in black ink, appearing to read "Matt Denn", is positioned above a horizontal line.

MATTHEW DENN
INSURANCE COMMISSIONER

DATED this 19TH Day of MAY 2008.

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October 26, 2007

Honorable Matthew Denn
Insurance Commissioner
Delaware Department of Insurance
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 07.048, dated August 30, 2007 an examination has been made of the affairs, financial condition and management of the

CIGNA DENTAL HEALTH OF DELAWARE, INC.

hereinafter referred to as "Company," incorporated under the laws of the State of Delaware as a dental plan organization with its statutory home office located at 1571 Sawgrass Corporate Parkway, Sunrise, Florida 33323.

The Report of such examination is submitted herewith.

SCOPE OF EXAMINATION

This examination covered the period from January 1, 2005 through December 31, 2006, and consisted of a general survey of the Company's business policies and practices, management, any corporate matters incident thereto, a verification and evaluation of assets and a determination of liabilities. Transactions subsequent to the latter date were reviewed where deemed necessary.

This Report is presented on an exception basis. It is designed to set forth the facts with

regard to any material adverse findings disclosed during the examination. The text will explain changes wherever made. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were thoroughly discussed with responsible Company officials during the course of the examination.

The general procedures of the examination followed the rules established by the Committee on Financial Condition Examiners Handbook of the National Association of Insurance Commissioners (NAIC) and generally accepted statutory insurance examination standards consistent with the Insurance Laws and Regulations of the State of Delaware.

In addition to items hereinafter incorporated as a part of the written report, the following areas were checked and made part of the files of this examination.

Other Insurance
All Asset and Liability Items not mentioned

HISTORY

The Company was incorporated on January 18, 1986 under the laws of Delaware, and commenced business September 19, 1986.

CIGNA Dental Health, Inc. has owned all outstanding stock of the Company since inception.

CAPITALIZATION

The capital stock of the Company has not changed since the date of incorporation. The Articles of Incorporation authorize the issuance of 1,000 shares of common capital stock with \$1

par value. At December 31, 2006, the Company had issued 1,000 shares of common capital stock for a total of \$1,000.

During this examination period, gross paid in and contributed surplus remained constant at \$97,053.

MANAGEMENT AND CONTROL

Directors

A review of the minutes of the sole shareholder of the Company for the two-year period of examination reflects that the Board of Directors was duly elected for each of the years. Names of directors were compared to the respective Annual Statement jurat pages without exception. Those directors serving at December 31, 2006 were as follows:

Karen Sue Rohan, Chairman
Gail Murphy Garcia
Michele Iris Haas

Officers

Corporate minutes were obtained and reviewed for each of the two years of examination. Names of officers were compared to the respective Annual Statement jurat pages. Those officers serving at December 31, 2006 were as follows:

Karen Sue Rohan	President
Gail Murphy Garcia	Vice President and Secretary
Michele Iris Haas	Vice President and Treasurer
Barbara Greenwood DeMaio	Vice President
John Patrick Frey	Vice President
Scott Ronald Lambert	Vice President
Barry Richard McHale	Vice President
David Mathew Porcello	Vice President

HOLDING COMPANY SYSTEM

As a dental plan organization organized under 18 Del. C. §38, the Company is not subject to the requirements of the holding company statute, 18 Del. C. §50. The Company is a directly owned subsidiary of CIGNA Dental Health, Inc. The ultimate parent is CIGNA Corporation.

The following is a partial organizational chart that reflects the identities and interrelationships between the Company, parent, and other members of the group as of December 31, 2006, as presented in Schedule Y:

CIGNA Corporation (Delaware)

 CIGNA Holdings, Inc.

 CIGNA Investment Group, Inc.

 Connecticut General Corporation

 CIGNA Dental Health, Inc.

 CIGNA Dental Health of California, Inc.

 CIGNA Dental Health of Colorado, Inc.

CIGNA Dental Health of Delaware, Inc.

 CIGNA Dental Health of Florida, Inc.

 CIGNA Dental Health of Illinois, Inc.

 CIGNA Dental Health of Kansas, Inc.

 CIGNA Dental Health of Kentucky, Inc.

 CIGNA Dental Health of Missouri, Inc.

 CIGNA Dental Health of New Jersey, Inc.

 CIGNA Dental Health of North Carolina, Inc.

 CIGNA Dental Health of Ohio, Inc.

 CIGNA Dental Health of Pennsylvania, Inc.

 CIGNA Dental Health of Texas, Inc.

 CIGNA Dental Health of Virginia, Inc.

 CIGNA Dental Health of Plan of Arizona, Inc.

 CIGNA Dental Health of Maryland, Inc.

 CIGNA Health Corporation

 Healthsource, Inc.

MANAGEMENT AND SERVICE AGREEMENTS

Agreements with Affiliates

The Company participated in agreements, as summarized below, with its affiliates. The agreements were submitted to the Delaware Department of Insurance.

Administrative Services Agreement

This agreement, effective September 1, 1991, is between CIGNA Dental Health of Florida, Inc. (CDH/FL) and the Company. This agreement provides for CDH/FL to render administrative and management services including data processing, premium reconciliation, transfer of funds, financial services, marketing direction, plan administration services, and dental operations direction. Charges under this agreement are a fixed monthly fee per subscriber.

Federal Tax Allocation Agreement

This agreement is between CIGNA Corporation and each of its subsidiaries that are or become a party to the agreement, including the Company. This agreement provides for the combined group to file a consolidated income tax return and for the allocation of their consolidated tax liability with a final settlement each November after the tax return for the prior year has been filed. This agreement is an amended and restated agreement that was originally adopted effective as of April 1, 1982, as amended, including amendments effective as of January 1, 1997.

TERRITORY AND PLAN OF OPERATION

Territory

The Company is licensed only in the State of Delaware and products are sold only within the State of Delaware.

Plan of Operation

The Company is authorized to transact the business of a dental plan organization under 18 Del. C. §38 by a certificate of authority dated September 19, 1986.

GROWTH OF COMPANY

The following information was obtained from the Company's filed Annual Statements:

	Net Admitted Assets	Total Capital and Surplus	Total Revenues	Net Income (Loss)
2006	\$171,497	\$166,549	\$4,409	\$(6,515)
2005	175,694	172,383	6,392	5,955
2004	177,126	166,488	3,679	2,200
2003	166,493	164,476	8,204	5,909
2002	208,493	158,773	15,283	7,815

The primary source of cash flow for CIGNA Dental Health of Delaware, Inc. is premiums received from members. The parent company, CIGNA Dental Health, Inc., is committed to the success of CIGNA Dental Health of Delaware, Inc., and as such will provide capital contributions if necessary to ensure that its subsidiary maintains adequate cash flows.

Comparing the overall results for CIGNA Dental Health of Delaware, Inc. for 2006 to the prior year, net income decreased by \$12,470, or 209%. The decline is attributable to premium decreasing 31% coupled with increases in claims, claims adjustment expenses and aggregate policy reserves. These were partially offset by favorable variances in administrative expenses and investment income. The premium decrease is primarily due to rate decreases partially offset

by the increase in membership. The increase in claims is mainly attributable to the increase in outside specialists' utilization and supplemental provider compensation.

REINSURANCE

The Company neither ceded nor assumed reinsurance.

FIDELITY BONDS

The Company is covered under a standard financial institution bond covering the CIGNA Dental Health, Inc. group of companies. Although the coverage under that bond is sufficient for this individual company, coverage under that bond did not meet the minimum amount of fidelity insurance for the whole group of companies, as suggested by the *NAIC Financial Condition Examiners' Handbook*.

Therefore:

It is recommended that the Company obtain additional fidelity bond coverage sufficient for the whole group of companies, as recommended in the *NAIC Financial Condition Examiners' Handbook*.

ACCOUNTS AND RECORDS

During the examination the Company's books and records were reviewed and compared to reported items and values in the Annual Statements. A trial balance for the final year under review was obtained and traced to the Company's Annual Statement.

FINANCIAL STATEMENTS

The following statements show the assets, liabilities, surplus and other funds of the Company, as determined by this examination, as of December 31, 2006.

Assets
Liabilities, Surplus and Other Funds
Statement of Income
Capital and Surplus Account

It should be noted that the various schedules and exhibits may not add to the totals shown due to rounding.

Assets

December 31, 2006

	<u>Assets</u>	Nonadmitted <u>Assets</u>	Net Admitted <u>Assets</u>
Cash	\$ 4,520		\$ 4,520
Short-term investments	162,603		162,603
Uncollected premiums and agents' balances in course of collection	2,122		2,122
Net deferred tax asset	625		625
State income tax receivable	1,627		1,627
Total Assets	<u>\$ 171,497</u>	<u>\$ -0-</u>	<u>\$ 171,497</u>

Liabilities, Surplus and Other Funds

December 31, 2006

Claims unpaid	\$ 2,419	
Unpaid claims adjustment expenses	73	
Aggregate health policy reserves	1,731	Note 1
Premiums received in advance	32	
Current federal income tax payable	653	
Amounts due to parent, subsidiaries and affiliates	20	
Commission payable	<u>20</u>	
Total Liabilities	<u>\$ 4,948</u>	
Common capital stock	\$ 1,000	
Gross paid in and contributed surplus	97,053	
Unassigned funds (surplus)	<u>68,496</u>	
Total Capital and Surplus	<u>\$ 166,549</u>	
Total Liabilities, Capital and Surplus	<u><u>\$ 171,497</u></u>	

Statement of Income

December 31, 2006

Revenues:	
Net premium income	<u>\$ 4,409</u>
Hospital and medical:	
Other professional services	12,781
Outside referrals	<u>3,965</u>
Total hospital and medical	<u>\$ 16,736</u>
Claims adjustment expenses	98
General administrative expenses	1,130
Increase in reserves for life and accident and health contracts	<u>1,731</u>
Total underwriting deductions	<u>\$ 19,695</u>
Net underwriting gain (loss)	\$ (15,286)
Net investment income earned	<u>6,225</u>
Net loss before federal taxes	\$ (9,061)
Federal taxes incurred	<u>(2,546)</u>
Net Loss	<u>\$ (6,515)</u>

Capital and Surplus Account

December 31, 2005 to December 31, 2006

Total capital and surplus, December 31, 2005	\$ 172,383
Net Loss	(6,515)
Change in net deferred income tax	600
Change in nonadmitted assets	<u>81</u>
Net change in capital and surplus for the year	(5,834)
Total capital and surplus, December 31, 2006	<u>\$ 166,549</u>

NOTES TO FINANCIAL STATEMENTS

Note 1. Aggregate Health Policy Reserves

\$1,731

The above-captioned amount, which is the same as that reported by the Company in its Annual Statement, has been accepted for purposes of this Report of Examination.

The Company's actuarial opinion lists \$ 0 for Aggregate Health Policy Reserves. The Company's annual statement reflects \$1,731 as Aggregate Health Policy Reserves, Dental Only.

SUMMARY OF RECOMMENDATIONS

Fidelity Bonds

It is recommended that the Company obtain additional fidelity bond coverage sufficient for the whole group of companies, as recommended in the *NAIC Financial Condition Examiners' Handbook*. (Page 7)

CONCLUSION

The following schedule shows the results of this examination and the change during the examination period.

<u>Description</u>	<u>December 31, 2006</u>	<u>December 31, 2005</u>	<u>Increase or (Decrease)</u>
Assets	\$ 171,497	\$ 175,694	\$ (4,197)
Liabilities	\$ 4,948	\$ 3,311	\$ 1,637
Capital and Surplus	\$ 166,549	\$ 172,383	\$ (5,834)

Respectfully submitted,

A handwritten signature in black ink, reading "Patricia Casey Davis", is written over a vertical line.

Patricia Casey Davis, CFE
Examiner-In-Charge
State of Delaware
Northeastern Zone, NAIC